

TOWNSHIP OF ALLEN
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
YEAR ENDED MARCH 31, 2008

Auditing Procedures Report

Instructions and MuniCodes

*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended (V1.07)

Unit Name* Township of Allen	County* HILLSDALE	Type* TOWNSHIP	MuniCode* 30-1-020
Opinion Date-Use Calendar* 09-10-08	Audit Submitted-Use Calendar* 09-30-08	Fiscal Year End Month* 03	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input type="checkbox"/> ?	13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? Adverse
<input type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/> ?	18. Are there reported deficiencies? <input checked="" type="checkbox"/> 19. If so, was it attached to the audit report?

General Fund Revenue:	? \$ 204,686.00
General Fund Expenditure:	? \$ 223,977.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	? \$ 198,602.00
Governmental Activities Long-Term Debt (see instructions):	?

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* Donna	Last Name* Hecht	Ten Digit License Number* 1101025151		
CPA Street Address* 184 W Carleton Rd	City* Hillsdale	State* MI	Zip Code* 49242	Telephone* +1 (517) 439-9331
CPA Firm Name* O.M.C. & Co., P.C.	Unit's Street Address* 184 W Carleton Rd	Unit's City* Hillsdale	Unit's Zip* 49242	

TOWNSHIP OF ALLEN

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
BALANCE SHEETS – CASH BASIS – GOVERNMENTAL FUNDS	3
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – CASH BASIS - GOVERNMENTAL FUNDS	4
FIDUCIARY FUND - STATEMENT OF ASSETS AND LIABILITIES – CASH BASIS	5
NOTES TO FINANCIAL STATEMENTS	6 - 10
REQUIRED SUPPLEMENTARY INFORMATION	
BUDGETARY COMPARISON SCHEDULE – CASH BASIS - GENERAL FUND	11
OTHER REPORTS	
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS	12 - 14



Osbourne, March, Condon & Co., P.C.

Certified Public Accountants

184 West Carleton Road

Hillsdale, Michigan 49242

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Township Board
Township of Allen
Hillsdale County, Michigan

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Township of Allen, Michigan as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraphs, we conducted our audit in accordance with audit standards generally accepted in the United States of America and the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The scope of our audit did not include verification of the fund balances at April 1, 2007. We are, therefore, unable to express an opinion on the accompanying statements of fund balance.

As discussed in Note 1, the Township prepares its financial statements on the cash basis, which constitutes a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The accompanying financial statements do not present government-wide financial statements to report the cash basis financial position and changes in financial position of its governmental activities. Accounting principles generally accepted in the United States of America, as applied to the Township's cash basis of accounting, require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements resulting from cash basis transactions for the Township's governmental activities are not reasonably determinable.

To the Members of the Township Board
Township of Allen
Hillsdale County, Michigan

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with the basis of accounting described in Note 1, the cash basis financial position of the Township of Allen as of March 31, 2008 or the changes in its cash basis financial position for the year then ended.

The budgetary comparison schedule, as identified in the table of contents, is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

The accompanying financial statements do not include a management's discussion and analysis, which is required to present an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated September 10, 2008 on our consideration of Township of Allen, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of the audit performed in accordance with Government Auditing Standards, except as discussed in the preceding paragraphs, and important for assessing the results of our audit.

OpSource, Marsh, London & Co., P.C.

Certified Public Accountants

Hillsdale, Michigan
September 10, 2008

TOWNSHIP OF ALLEN
BALANCE SHEETS - CASH BASIS -
GOVERNMENTAL FUNDS
MARCH 31, 2008

	GENERAL FUND	PERMANENT FUND CEMETERY CARE	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash and deposits	<u>\$ 198,602</u>	<u>\$ 2,000</u>	<u>\$ 200,602</u>
FUND BALANCES			
Reserved	\$ 18,784	\$ 2,000	\$ 20,784
Unreserved, undesignated	<u> 179,818</u>	<u> </u>	<u> 179,818</u>
TOTAL FUND BALANCES	<u>\$ 198,602</u>	<u>\$ 2,000</u>	<u>\$ 200,602</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF ALLEN

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
CASH BASIS -
GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2008

	GENERAL FUND	PERMANENT FUND CEMETERY CARE	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Property tax	\$ 44,862	\$	\$ 44,862
State grants	100,226		100,226
Cemetery lots	6,504		6,504
Dust control	3,900		3,900
Administrative fees	18,952		18,952
Interest	3,639	85	3,724
Miscellaneous	18,851		18,851
Community building rent	850		850
Fire calls	6,902		6,902
	<u> </u>	<u> </u>	<u> </u>
TOTAL REVENUES	\$ 204,686	\$ 85	\$ 204,771
EXPENDITURES			
General government	\$ 99,449	\$	\$ 99,449
Public works - roads and bridges	21,008		21,008
Public works - solid waste	8,330		8,330
Cemetery	22,384		22,384
Public safety - fire department	31,911		31,911
Parks and recreation	1,500		1,500
Capital outlay - fire department	39,395		39,395
	<u> </u>	<u> </u>	<u> </u>
TOTAL EXPENDITURES	\$ 223,977	\$	\$ 223,977
REVENUES OVER (UNDER) EXPENDITURES	\$ (19,291)	\$ 85	\$ (19,206)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	\$ 85	\$	\$ 85
Operating transfers out		(85)	(85)
	<u> </u>	<u> </u>	<u> </u>
TOTAL OTHER FINANCING SOURCES AND (USES)	\$ 85	\$ (85)	\$
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER (USES)	\$ (19,206)	\$	\$ (19,206)
FUND BALANCE - BEGINNING	217,808	2,000	219,808
	<u> </u>	<u> </u>	<u> </u>
FUND BALANCE - ENDING	\$ 198,602	\$ 2,000	\$ 200,602
	<u> </u>	<u> </u>	<u> </u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF ALLEN
FIDUCIARY FUND -
STATEMENT OF ASSETS AND LIABILITIES - CASH BASIS
MARCH 31, 2008

	AGENCY FUND - TAX COLLECTION
ASSETS	
Cash and deposits	\$ <u>32,189</u>
LIABILITIES	
Due to others	\$ <u>32,189</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF ALLEN
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRIMARY GOVERNMENT

The Township of Allen (the "Township") was organized in the 1800's and covers an area of approximately 36 square miles. The Township operates under a part time elected Township Board (five members) and provides service to its more than 1,200 residents in the areas of general government, fire protection and maintenance of roads, bridges and cemeteries.

BASIS OF PRESENTATION

Fund Financial Statements

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The Township utilizes governmental and fiduciary funds.

The governmental fund financial statements present the Township's individual major funds. A separate column is shown for each fund on the balance sheet and statement of revenues, expenditures, and changes in fund balances. The fiduciary funds are reported by type.

The Township reports the following governmental funds:

General Fund – The General Fund is the operating fund of the Township. It is used to account for all the Township's financial resources not required to be accounted for in another fund.

Permanent Fund (Cemetery Care) – The Cemetery Care Fund is a trust created to provide revenue for cemetery operations.

Additionally, the Township presents the following fiduciary fund:

Agency Fund – The Agency Fund is used to account for assets held as an agent for others. Agency funds are custodial in nature and do not involve measurement of results of operations.

Government-Wide Statements and Management's Discussion and Analysis

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The Township has implemented various elements of GASB 34.

The Township did not present government-wide financial statements to report the financial position and changes in financial position for all the Township's activities. In addition, the Township did not include a management's discussion and analysis, which is required to present an analysis of the financial performance for the year.

Since the Township did not present government-wide financial statements, capital assets of the government are not reported in the Township's financial statements as of March 31, 2008.

TOWNSHIP OF ALLEN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF PRESENTATION (CONCLUDED)

Government-Wide Statements and Management's Discussion and Analysis (Concluded)

Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in the government-wide financial statements for the Township's governmental activities are not reasonably determinable. The GASB has determined that management's discussion and analysis is necessary to supplement, although not required to be part of, the basic financial statements.

Because of the effects of the matters discussed in the preceding paragraphs, the Township's financial statements do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township of Allen as of March 31, 2008 or the changes in its financial position for the year then ended.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe "how" transactions are recorded within the financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied. The Township's funds are accounted for using a cash receipts and cash disbursements measurement focus.

The cash basis of accounting is used by all the Township's governmental fund types and agency funds. Under the cash basis of accounting, assets, liabilities, fund balances, revenues and expenditures are recognized when they result from cash transactions. This basis of accounting is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of using the cash basis of accounting, certain assets and their related revenues and certain liabilities and their related expenses *are not recorded* in these financial statements.

BUDGET AND BUDGETARY ACCOUNTING

The Township follows these procedures in establishing the budgetary data for the General Fund reflected in the financial statements:

- The Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year.
- The operating budget included proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to April 1, the budget is legally enacted through passage of a motion.

During the year, the Township was in violation of the Uniform Budgeting Act, incurring expenditures which were in excess of the amounts appropriated as follows:

	<u>Actual</u>	<u>Budgeted</u>	<u>Variance</u>
General Fund	\$ 223,977	\$ 184,247	\$ 39,730

TOWNSHIP OF ALLEN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)

PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of December 1. Taxes are levied on December 31 and are due and payable on or before February 28 of the following year. All unpaid taxes become delinquent on March 1 of the following year. The Township collects its own property taxes. Township property tax revenues are recognized when received.

FUND EQUITY

The unreserved, undesignated fund balances for governmental funds represent the amount available for budgeting future operations. Reserved fund balances represent the assets that have been legally identified for specific purposes. Designated fund balances represent tentative plans for future use of financial resources.

RESTRICTED RESOURCES

When both restricted and unrestricted funds are available, it is the Township's policy to first apply restricted funds toward the expense incurred.

RISK MANAGEMENT

The Township of Allen is exposed to various risks of loss related to property loss, damage or destruction, errors and omissions and injuries to employees. The Township has purchased commercial insurance to adequately cover these risk areas. Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverages obtained through commercial insurance during the past year.

NOTE 2: CASH AND INVESTMENTS

Statutory Authority - Act 217, PA 1982, authorizes the Township to deposit and invest in:

- (a) bonds and other direct obligations of the United States or its agencies.
- (b) certificates of deposit, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations or credit unions insured by the national credit union administration that are eligible to be depository of surplus money belonging to the State under section 5 or 6 of Act 105,, PA 1855, as amended (MCL 21.145 and 21.146).
- (c) commercial paper rated at time of purchase within three highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after purchase and not more than 50 percent of any fund may be invested in commercial paper at any time.
- (d) United States government or Federal agency obligation repurchase agreements.
- (e) bankers' acceptance of United States banks.
- (f) mutual funds composed of investments which are legal for direct investments by local units of government in Michigan.

TOWNSHIP OF ALLEN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2008

NOTE 2: CASH AND INVESTMENTS (CONCLUDED)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of the instrument. State law limits the allowable investments and the maturities of some of the allowable investments as identified above. The Township does not have an investment policy that further reduces interest rate risk.

Credit Risk

Generally, credit risk is the risk that an issuer of an instrument will not fulfill its obligation to the holder of the instrument. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is a listing of investments held by the Township as of March 31, 2008:

		<u>Rating</u>
Certificates of Deposit	\$ 30,671	N/A
Money Market	\$ 90,168	N/A

At March 31, 2008 the book value of the Township's demand and time deposits, consisting of checking, savings, and certificates of deposit was \$ 232,791 with a corresponding bank balance of \$ 252,963. Qualifying demand and time deposits are insured by the Federal Deposit Insurance Corporation up to \$100,000 for each deposit type per bank. Of the bank's balance, approximately \$ 223,431 is insured, and \$29,532 is uninsured and uncollateralized.

NOTE 3: INTERFUND TRANSFERS

Transfers between funds were made as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 85	\$
Cemetery Care Fund	<u> </u>	<u>85</u>
	<u>\$ 85</u>	<u>\$ 85</u>

All transfers are considered a permanent reallocation of resources between funds to use for operating.

TOWNSHIP OF ALLEN
NOTES TO FINANCIAL STATEMENTS (CONCLUDED)
MARCH 31, 2008

NOTE 4: FUND RESERVES

General Fund - \$18,784 reserved for 2008-09 budgeted expenditures over revenues

Cemetery Care Fund - \$2,000 reserved for perpetual cemetery maintenance.

REQUIRED
SUPPLEMENTARY INFORMATION

TOWNSHIP OF ALLEN

BUDGETARY COMPARISON SCHEDULE - CASH BASIS -
GENERAL FUND

YEAR ENDED MARCH 31, 2008

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	FINAL TO ACTUAL
REVENUES				
Local sources	\$ 63,409	\$ 63,409	\$ 104,460	\$ 41,051
State sources	<u>95,000</u>	<u>95,000</u>	<u>100,226</u>	<u>5,226</u>
TOTAL REVENUES	<u>\$ 158,409</u>	<u>\$ 158,409</u>	<u>\$ 204,686</u>	<u>\$ 46,277</u>
EXPENDITURES				
Officials salaries	\$ 40,053	\$ 40,053	\$ 39,180	\$ 873
Payroll taxes	8,000	8,000	4,357	3,643
Assessor	12,000	12,307	12,307	
Fire department	30,000	30,000	71,306	(41,306)
Cemetery	15,000	15,000	22,384	(7,384)
Insurance	24,000	24,000	23,165	835
Audit and legal	1,000	1,000	712	288
Office supplies	1,800	1,800	769	1,031
Stamps and envelopes	1,500	1,664	1,664	
Solid waste	8,000	8,000	8,330	(330)
Roads and bridges	8,000	8,000	4,323	3,677
Dust control	13,000	13,000	15,600	(2,600)
Township drains	1,150	1,150	1,085	65
Print tax roll	2,500	2,923	2,923	
Dues and seminars	1,500	1,500	993	507
Parks and recreation	1,500	1,500	1,500	
Officials expense	2,500	2,500	2,485	15
Community building	750	750	725	25
Utilities	6,000	6,000	4,820	1,180
Notices and publications	500	500	285	215
Equalization software	1,000	1,000		1,000
Elections	3,100	3,100	2,019	1,081
Miscellaneous	<u>500</u>	<u>500</u>	<u>3,045</u>	<u>(2,545)</u>
TOTAL EXPENDITURES	<u>\$ 183,353</u>	<u>\$ 184,247</u>	<u>\$ 223,977</u>	<u>\$ (39,730)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (24,944)</u>	<u>\$ (25,838)</u>	<u>\$ (19,291)</u>	<u>\$ 6,547</u>
OTHER FINANCING SOURCES				
Operating transfers in	<u>\$</u>	<u>\$</u>	<u>\$ 85</u>	<u>\$ 85</u>
NET CHANGE IN FUND BALANCES	\$ (24,944)	\$ (25,838)	\$ (19,206)	\$ 6,632
FUND BALANCES - BEGINNING	<u>196,976</u>	<u>196,976</u>	<u>217,808</u>	<u>20,832</u>
FUND BALANCES - ENDING	<u><u>\$ 172,032</u></u>	<u><u>\$ 171,138</u></u>	<u><u>\$ 198,602</u></u>	<u><u>\$ 27,464</u></u>

OTHER REPORTS



Osbourne, March, Condon & Co., P.C.

Certified Public Accountants

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS*

To the Members of the Township Board
Township of Allen
Hillsdale County, Michigan

We have audited the financial statements of Township of Allen as of and for the year ended March 31, 2008 as listed in the table of contents, and have issued our report thereon dated September 10, 2008. We issued an adverse opinion on the financial statements taken as a whole because the Township did not present government-wide financial statements. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township of Allen's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township of Allen's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township of Allen's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township of Allen's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Township of Allen's financial statements that is more than inconsequential will not be prevented or detected by the Township of Allen's internal control. We consider the following deficiency to be a significant deficiency in internal control.

To the members of the Township Board
Township of Allen
Hillsdale County, Michigan

Significant Deficiency – lack of adequate controls to produce full-disclosure financial statements.

Requirement: The preparation of modified cash basis financial statements requires internal controls over (1) recording, processing, and summarizing accounting data, and (2) reporting the fund financial statements, including the related footnotes.

Condition: The Township has historically relied on its independent external auditors to assist in the preparation of the financial statements and footnotes as part of its external financial reporting process. Accordingly, the Township's ability to prepare financial statements is based, in part, on its reliance on its external auditors, who cannot by definition be considered part of the Township's internal controls.

Cause: This condition is caused by the Township's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the added time and expense of outsourcing to another accounting firm, or obtaining the necessary training for its Treasurer to perform this task.

Effect: The result of this condition is that the Township lacks internal controls over the preparation of financial statements and notes, and instead relies, in part, on its external auditors for assistance with this task.

View of responsible officials: The Township will continue to evaluate the cost vs. benefit of establishing internal controls over the preparation of cash basis financial statements. In addition, the Township will carefully review the draft financial statements and notes prior to approving them and accept responsibility for their content and presentation.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township of Allen's internal control. We consider the following deficiencies to be material weaknesses in internal control.

Material weakness – lack of adequate controls related to reporting property tax revenue.

Requirement: It is the responsibility of the Township to have in place effective controls over recording and summarizing accounting data. Current property tax collections should be distributed to the Township on a timely basis, and should include a description of each collection, i.e. ad valorem, IFT, delinquent, or administration fees.

Condition: The Treasurer collects the township property taxes and administrative fees and periodically transfers a lump sum to the Township's general fund checking or savings account. The transfer is classified as such on the Treasurer's report, and therefore not reported as property tax revenue. Furthermore, the Township does not reconcile the property tax levy with amounts received from the Treasurer.

Cause: The Township Board members rely solely on the Treasurer to remit property tax receipts to its general fund.

Effect: The result of this condition is that the Township's internal controls are not adequate to detect a material misstatement of the property tax revenue account balance.

View of responsible officials: The Treasurer will implement new remittance procedures, which will include a description of property tax and other collections, and a reconciliation of the tax levy to amounts collected.

To the members of the Township Board
Township of Allen
Hillsdale County, Michigan

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township of Allen's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Township of Allen, in a separate letter dated September 10, 2008.

This report is solely intended for the information and use of the Township Board, and the State Treasury Department. However, this report is a matter of public record and its distribution is not limited.

Quarles, Moritz, London & Co., P.C.

Certified Public Accountants

Hillsdale, Michigan
September 10, 2008



Osbourne, March, Condon & Co., P.C.

Certified Public Accountants

184 West Carleton Road

Hillsdale, Michigan 49242

Telephone. 517/439-9331

FAX: 517/439-1894

COMMUNICATION TO AUDIT COMMITTEE

To the Township Board
Township of Allen
Allen, Michigan

We have audited the financial statements of Township of Allen for the year ended March 31, 2008, and have issued our report thereon dated September 10, 2008. Professional standards require that we provide you with the following information related to our audit.

1. Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Township of Allen. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

2. Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Township of Allen are described in Note 1 to the financial statements. We noted no transactions entered into by Township of Allen during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

3. Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of the significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no accounting estimates made in the financial statements.

4. **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township of Allen's financial reporting process (that is, cause future financial statements to be materially misstated). There were no audit adjustments.

5. **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

6. **Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

7. **Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township of Allen's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

8. **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Township Board. It is not intended to be and should not be used by anyone other than these specified parties.

OpSource, Marsh, London & Co., P.C.

Certified Public Accountants

Hillsdale, Michigan
September 10, 2008



Osbourne, March, Condon & Co., P.C.

Certified Public Accountants

184 West Carleton Road

Hillsdale, Michigan 49242

Telephone: 517/439-9331

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MANAGEMENT LETTER

To the Township Board
Township of Allen
Allen, Michigan

We have recently completed our audit of the records of Township of Allen as of and for the year ended March 31, 2008. In connection with the audit, we became aware of matters that are opportunities for strengthening management's control and operating efficiency. These suggestions are a result of our evaluation of the internal control structure and our discussions with management.

BUDGETING

It appears the Township is budgeting property tax revenues and administrative fees based on the balance of funds remaining in the tax account from the prior year.

The Board did not budget for any fire equipment purchased during the year.

Recommendation

We recommended the Township consider reviewing its budget process, to gain a better understanding of what should be included in the original budget, and how the budget should be monitored for amendments throughout the year.

IRS INFORMATION REPORTING

The Township contracts with individuals to perform certain services for the Township. It was revealed that not all independent contractors are receiving an IRS Form 1099 for the reporting of payments. Generally, the Township must file a Form 1099 to each person to whom they have paid at least \$600.

Recommendation

We recommend the Township review the Form 1099 reporting requirements as they relate to each service provider, and file returns as appropriate.

CONTRACTED SERVICES

The Township does not have a written contract with its assessing service.

Recommendation

We recommend the Township have a written agreement with its assessing service provider to outline the services needed, the outcomes required, and any other language necessary to clarify the Township's expectations.

Osbourne, March, Condon & Co., P.C.

Certified Public Accountants

Hillsdale, Michigan
September 10, 2008